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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000832

SIPDIS

STATE FOR EAP/BCLTV, EB/ESC, EB/TPP
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA JEFF NEIL
USPACOM FOR FPA

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TAGS: [ETRD](#) [EIND](#) [EPET](#) [BM](#)

SUBJECT: U.S. INVESTOR, GARMENT WORKERS FEAR NEW BURMA
SANCTIONS

REF: A. RANGOON 769

[1](#)B. RANGOON 574

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.5 (B,D)

[1](#)1. (SBU) Summary: The input on pending U.S. sanctions on Burma continues to roll in. In the last several days we've heard the fears and concerns of the largest U.S. investor in Burma, Unocal, and also from 28,000 garment workers. End summary.

Unocal Sees Unintended Consequences

[1](#)2. (SBU) The Chief of Mission met with a local Unocal representative on June 25 to hear the largest U.S. investor in Burma's concerns over the intended, and possible unintended, consequences of the proposed new Burma sanctions. Unocal was most concerned that the remittance and travel bans, if applied without any exceptions for pre-existing business operations, could lead to an untenable operating situation for the energy company. The Unocal rep hinted that these sanctions could force the company to reconsider its investment stake in Burma if it were not grandfathered.

[1](#)3. (C) The unintended negative consequences of a Unocal divestment would be at least three-fold. First, the company would have to sell out to another energy firm -- many of whom, including China's national oil company, are snooping around looking to farm into an existing development -- paying a 40 percent Burmese capital gains tax on the sale directly into the regime's coffers. Though the Unocal official could not offhand tell us how much the gains would likely be, or in what form the payment would be made, he made it clear that this would be pure profit for the Burmese government. Second, of the likely new investors, except for current partner Total, none would put up the amount of money currently spent by Unocal for social and economic development in its pipeline zone (see Ref B). Third, there is the prospect of Chinese influence over a large portion of Thailand's natural gas imports if the Chinese national oil company took over Unocal's position.

[1](#)4. (SBU) Perhaps a bit prematurely, the Unocal official also told us the firm's concerns about sanctions not yet under consideration. He said any expansion of a trade ban to include U.S. exports to Burma would be extremely damaging to Unocal's platform and pipeline operations. Several key parts are imported from the United States, and not easily substituted. If one of these parts went down, and importing a replacement was illegal, the pipeline, which carries significant volumes of natural gas to Thailand, might have to slow or stop its operations temporarily. The result of this, the rep explained, would be "the lights going out in parts of Bangkok."

Garment Workers Speak Out

[1](#)5. (SBU) We were visited on July 3rd by a delegation from the Burmese Garment Manufacturers Association (GMA) and the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). The delegation presented a letter to President Bush urging him to veto the proposed import ban legislation (faxed to EAP/BCLTV). Attached to this letter were two large boxes filled with petitions, signed by 28,000 garment workers from factories in the Rangoon area. Apparently the GMA went to its members and asked them to explain to their workers the likely impact of import ban legislation on their livelihood. After this the petitions were made available for signature. The delegation assured us that this was done on a totally voluntary basis, with no coercion. Though there's no way to verify this, there's no reason to believe that any force would be needed to get the signatures.

[1](#)6. (SBU) We agreed to forward the letter to Washington and keep the GMA apprised of the progress of the legislation. However, we also urged the GMA and UMFCCI to use their lobbying and organizing ability to bring the message to the SPDC that only political change could turn the tide for their factories and workers. The delegation laughed and said

simply, "Not possible."
Martinez